

**United States Environmental Protection Agency  
Criminal Investigation Division  
Investigative Activity Report**

**Case Number**

0506-0026

**Case Title:**

Ferguson Enterprises Inc.

**Reporting Office:**

Detroit, MI, Resident Office

**Subject of Report:**

Interview of (b)(6), (b)(7)(C) City of Detroit Finance Department

**Activity Date:**

June 13, 2012

**Reporting Official and Date:**

(b)(6), (b)(7)(C)

Resident Agent in Charge

23-JUL-2012, Signed by (b)(6), (b)(7)

**Approving Official and Date:**

(b)(6), (b)(7)(C)

Special Agent in Charge

25-JUL-2012, Approved by (b)(6), (b)(7)  
Assistant Special Agent in Charge

**SYNOPSIS**

On June 13, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) Manager II, City of Detroit Finance Department, regarding the processing of contracts during the (b)(6), (b)(7)(C) Mayoral Administration.

**DETAILS**

On June 13, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(6), (b)(7) interviewed (b)(6), (b)(7)(C) Manager II, City of Detroit Finance Department, regarding the processing of contracts during the (b)(6), (b)(7)(C) Mayoral Administration. After being informed of the purpose of the interview and the identity of the interviewing agent, (b)(6), (b)(7) provided the following information:

(b)(6), (b)(7) has worked for the City of Detroit for thirty years all of which were in the field of purchasing. From February of 2002 through 2010 (b)(6), (b)(7) was a Manager II for the Detroit Water & Sewerage Department's Purchasing Division where (b)(6), (b)(7) was responsible for processing purchases of goods and services under \$25,000. This included contracts and purchase orders as well as payments made under larger contracts. (b)(6), (b)(7) was the Assistant Director of Finance for DWSD from 2002 to 2004 and was replaced by (b)(6), (b)(7)(C). In early 2011 (b)(6), (b)(7) transferred to the Finance Department where (b)(6), (b)(7) is currently assigned.

When (b)(6), (b)(7) worked for DWSD, (b)(6), (b)(7) coordinated purchasing issues with (b)(6), (b)(7)(C) from the Finance Department. These issues typically involved emergency purchases of supplies, bid submittals and processing, and matters going to City Council. (b)(6), (b)(7) explained that it was unusual for (b)(6), (b)(7) to handle any issues (b)(6), (b)(7) and in most cases had (b)(6), (b)(7) staff handle it. (b)(6), (b)(7) typically communicated with (b)(6), (b)(7) in writing.

(b)(6), (b)(7) explained that a lot of DWSD contracts were in (b)(6), (b)(7) name due to the way the DRMS module was set up. (b)(6), (b)(7) was the only person at DWSD who had access to the system for certain functions. (b)(6), (b)(7) had the ability to look at the status of a contract including payments made under it, which few people had.

(b)(6), (b)(7) has never personally been involved in conducting dual negotiations with bidders. (b)(6), (b)(7) explained that the DWSD has to go to the Board of Water Commissioners to request authority to do so as the requirement is to negotiate with either the number one or number two bidder. It is (b)(6), (b)(7) understanding that dual negotiations are used as a back stop not as a primary negotiation method.

When asked if (b)(6), (b)(7) could recall any "red flags" for contracts which (b)(6), (b)(7) was involved (b)(6), (b)(7) replied

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"Synagro." (b)(6), explained that it didn't seem proper to start negotiating with a company simply because they purchased another company which had submitted a bid. (b)(6), thought that the proper thing to do was send the contract back out for bids. The vendor forms and applications seemed to be pushed through (b)(6), for approval. (b)(6), asked (b)(6), (b)(7)(C) how the contract was going to get through Council given the circumstances to with (b)(6), (b)(7)(C) remarked "we got it handled."

Bankston Construction always seemed to get involved in "special" projects such as one time clean ups of a site, etc.

The DWSD accounts payable staff report to (b)(6),. The Finance Department staff can put a hold on any payment. (b)(6), (b)(7)(C) as the Mayoral Executive Assistant, had the authority to put a hold on a payment as well. (b)(6), pointed out that all Mayoral Executive Assistants have this ability.

The application of equalization credits is first reviewed by the contracting department. The application of the credits could fall under (b)(6), (b)(7)(C) authority as well depending on the criteria in question. There is a template which is used to determine whether a company is eligible for the various credits.

(b)(6), was asked if (b)(6), was ever requested to look into the status of payments to contractors. (b)(6), replied that it happened a few times, mostly when (b)(6), (b)(7)(C) was not available and someone from Finance or Budget would call (b)(6), (b)(6), recalled (b)(6), (b)(7)(C) asking (b)(6), about payments to Waste Management, Bankston and Heinrich related to the hauling of ash from the waste water treatment plant. This occurred within a few months of Synagro getting their contract. (b)(6), does not recall any inquiries into payments to Ferguson Enterprises Inc but does recall questions regarding payments to Inland Waters.

(b)(6), recalled that PC 747 periodically ran out of money and needed emergency purchase orders for parts. (b)(6), heard of discussions regarding work needing to be done at five water plants, and a union representative asking for copies of contracts related to this. (b)(6), commented that running work for one contract under another one is not unusual in (b)(6), thirty years of purchasing, but not for the DWSD.